Council Workshop
Use of Under Expenditures
Overview of Workshop

• Background
  ◦ History of fund balance, under expenditures, and millage rates
  ◦ Parameters for use of under expenditures

• Recent priority areas for use of under expenditures
  ◦ Associated benefits and implications

• Council guidance:
  ◦ Value of having under expenditures as a budget offset when economic downturn
  ◦ Priority areas
Fund Balance

• Background
  ◦ Fund Balance increases or decreases each year by the difference between revenues and expenditures
  ◦ Fund Balance can decrease even though Council has under expenditures
  ◦ Council has intentionally been decreasing its Fund Balance
  ◦ The use of Fund Balance is reported as a revenue item in the budget, called, “Cash Balance Brought Forward”
Example: Fiscal Year 2017-18

- Financial Information related to fiscal year 2017-2018
  - Fund Balance at the beginning of the fiscal year was $50.4 million
  - Council budgeted to use $12.6 million of Fund Balance
  - Only $3.5 million was actually used
  - $9.1 million was not used
• Why didn’t Council spend $9.1 million?
  ◦ Under expenditures of $8.3 million. (Actual expenditures were lower than budgeted expenditures)
  ◦ Actual revenues exceeded budgeted revenue by $0.8 million
Example: Fiscal Year 2017-18 (continued)

- Under expenditures of $8.3 million
  - Property Appraiser fee, Tax Collector Fee, Contingency and Capital outlay accounted for $2.3 million of the $8.3 million under expenditures
  - Total Children’s Program actual costs were $5.6 million lower than budgeted, a 4.6% under expenditure rate
  - Total Administrative expenses actual costs were $0.3 lower than budgeted due to staffing vacancies
• Actual revenues exceeded budgeted revenue by $0.8 million
  ◦ Interest income exceeded budget $0.6 million
  ◦ Ad Valorem revenue exceeded budget $0.3 million
  ◦ Other income exceeded budget (tenant income, etc.) $0.1 million
  ◦ Grant income was lower than budget ($0.2) million
Historical Trends

- Fund Balance: Council reduced its Fund Balance 6 of the last 7 years and has had a 37% reduction in Fund Balance since fiscal year 2010/11.

- Under expenditures: Council’s rate of under expenditures has gradually been declining.

- Millage rates: Council reduced its millage rate 7 of the last 8 years and has had a 14.8% reduction to the rate since fiscal year 2010/11.
Under Expenditures related to Programs

- Lapsed dollars from cost-based reimbursement contracts
  - Staff turnover

- Funding set aside to support new programs/initiatives
  - Delayed starts
  - Ramp-up (installation of programs)
  - Overestimated need/scale

- Other
  - Early termination of contracts
  - Additional funding from outside sources
Controlling Under Expenditures Rate

• Funding set aside to support new programs/initiatives:
  ◦ Science of Implementation – accounting for installation period
  ◦ Efforts to be more realistic about need/scale of program footprint

• FY 2011: Use of anticipated under expenditures within fiscal year
  ◦ Funding support for child care scholarships
Parameters for Use of Under Expenditures

• Nonrecurring expenses
• Expenses that can be identified and used late in the fiscal year
Use of Under Expenditures

• Scholarships for child care
• Scholarships for summer camp
• Great Ideas Initiative
Benefits Associated with Scholarships

• Scholarships for child care:
  ◦ Year-round care in a safe, supervised environment
  ◦ 0-5, supports early learning
  ◦ School age, supports social emotional development, homework assistance

• Scholarships for summer camp
  ◦ 9 week experience in a safe, supervised environment
  ◦ Some camps are Educational Enrichment camps
Benefits Associated Great Ideas Initiative

• Great Ideas Initiative
  ◦ Supporting small nonprofits working with children & families to implement a new idea or expand a good idea
  ◦ Address community gaps – all youth to reach full potential
Use of Under Expenditures

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Child Care</th>
<th>Summer Camp</th>
<th>GII</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011-12</td>
<td>$1,700,00</td>
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<td></td>
<td>$1,700,00</td>
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<tr>
<td>2012-13</td>
<td>$2,000,000</td>
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<td>$2,000,000</td>
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<tr>
<td>2013-14</td>
<td>$0</td>
<td></td>
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<td>$0</td>
</tr>
<tr>
<td>2014-15</td>
<td>$1,000,000</td>
<td>$809,262</td>
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<td>$1,809,262</td>
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<tr>
<td>2015-16</td>
<td>$620,000</td>
<td>$968,932</td>
<td>$509,747</td>
<td>$2,098,679</td>
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<tr>
<td>2016-17</td>
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<td>$1,000,000</td>
<td>$615,771</td>
<td>$2,573,771</td>
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<tr>
<td>2017-18</td>
<td>$528,000</td>
<td>$3,000,000*</td>
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<td>$4,967,259</td>
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<tr>
<td>2018-19</td>
<td>$0</td>
<td>$1,700,000*</td>
<td>$800,000</td>
<td>$2,500,000</td>
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</table>

NOTE:

Allocated funds for Child Care and Great Ideas Initiative are fully utilized within the fiscal year; not all allocated funds for summer camp are fully utilized within the fiscal year.

*FY 2017-18: due to anticipated need for summer camp scholarships, Council approved an increase in overall budget. Full amount of funding was not used (see table on slide 13).

*FY 2018-19: In addition to the $1.7 million that has been allocated for summer camp scholarships, an additional $500k has been committed if needed. The $500k is not reflected in the chart.
“Guidance” for Use of Under Expenditures

• No child on wait list for summer camp

• Child care scholarships
  ◦ Continuous need for child care- recurring wait list

• Great Ideas Initiative
## Growth in Summer Camp Scholarships

Schedule of funds allocated (& used) for Summer Camp Scholarships

<table>
<thead>
<tr>
<th>Fiscal Year</th>
<th>Base Amount</th>
<th>Allocation of one-time Increase</th>
<th>Total Funding</th>
<th>Expenditures</th>
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<tr>
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<td>TBD</td>
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* Not reflected in the chart is the additional $500,000 set aside, if needed
Child Care Scholarships

• CSC funding is “braided” with state funding

• Intent is to leverage dollars and cover maximum number of children
  ◦ Leverage different start of fiscal years (July 1, October 1)
  ◦ Able to move children on and off billing groups

• Limitations on how much **nonrecurring** funds ELC can use responsibly
  ◦ Without having to disenroll children
Evolution in Great Ideas Initiative

Years One – Four
• General RFP to identify NEW programs (new to provider or new to us)

Added in Years Three & Four
• Capacity Building: GROWTH → Pipeline
  ◦ Pipeline has some recurring expectations
• Community-led grant making
Council Direction

• Annual process to explicitly state priority areas for use of under expenditures

• March of each year
  ◦ Staff presents slate of recommendations with cap associated with each
  ◦ Council to respond
Implications to Budget Moving Forward

• Better job of managing our under expenditures:
  ◦ Initial allocation process
  ◦ Fully staffed organization
  ◦ Planned use for under expenditures within fiscal year

• Less under expenditures are being returned to Fund Balance
  ◦ Implications to millage model moving forward
  ◦ Implications to capacity to sustain current levels of programming in times of economic downturn
Focus for Council Discussion

• Providing guidance for priorities:
  ◦ Balancing benefits associated with current use of under expenditures
  ◦ Nonrecurring vs limited recurring obligations
  ◦ Council’s interest in supporting programs within the community
    ▪ One-time only versus multiple year funding when a “good” program is identified
  ◦ Value of having under expenditures as a budget offset when economic downturn